

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

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Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Names
C= Names
D= Name

X= Country
Y= Country
Z= Country

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates that you will operate D in order to make grants to scientists at domestic and foreign nonprofit academic, medical, and research institutions, who are pursuing research projects in the areas of B. In particular, D's overall purpose is to provide strategic investment in translation research that will accelerate progress in developing effective treatments for C disorders. D's short term goal is to support the most outstanding science and expand the pool of scientists whose research explores such conditions while the long term goal is to improve the lives of patients suffering from C disorders.

To be eligible, an individual must be a scientific researcher who holds a faculty appointment, or is an independent research scientist with laboratory space at a nonprofit academic, medical, or research institution in X, Y, or Z. It is possible you will expand eligibility into other countries. Your grants are either a two-year grant or one-year grant in varying amounts that may be increased or decreased. The precise amount of a one-year grant will be determined based on the proposed budget submitted by the applicant. The number of grants awarded annually will be contingent upon a variety of factors, including the amount of funds available and the number of eligible applications received.

You will publicize D to the general public on your website and through mass email distribution to universities, hospitals, health research consortia, laboratories and individuals, and other recipients, who are all permitted to redistribute the information. In your first year, you will outsource the publication and management of D to a public charity that advances public health and medical research. You will manage all aspects of D in future years.

To apply, individuals will be required to submit a detailed application and entail the following:

- 1) Contact information,
- 2) Educational background,
- 3) Other basic background information,
- 4) Summary of the proposed research project,
- 5) Non-technical summary of the proposed research project,
- 6) Biographical sketch of the applicant and any co-investigators,
- 7) Letter from a department or division chair discussing the applicant's qualifications,
- 8) Letters from collaborators who will contribute to the project (if any),
- 9) Projected budget, and
- 10) Detailed research proposal containing the applicant's specific aims, research design methods, anticipated impact, projected timeline, bibliography, among more.

Your selection committee is comprised of physicians, professors, and other medical and scientific research professionals qualified to evaluate applicants for D. The members are selected by the chair of the committee in collaboration with your Director of Medical and Scientific Research. You consider each person's area of research expertise and institutional affiliation in selecting committee members. Members of your selection committee will not be in a position to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others.

Your selection committee will review applications and make selections on an objective and nondiscriminatory basis. Recipients will be selected based on the following criteria:

- Relevance: the potential of the research project to identify the underlying biologic causes of such disorders;
- Applicants: the qualifications and prior experience of the applicant in conducting innovative research; and

- Research Project: the presence of (i) a clear hypothesis based on sound precedents and supported by relevant literature, (ii) research methodology, data collection, and data analyses that are feasible and appropriate to the proposal's aims, and (iii) objectives that are well thought out, realistic, and technically feasible.

In addition to the above criteria, the following prerequisites will apply to all grants:

- All grants must be for purposes consistent with your tax-exempt purpose within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code");
- Grants will not be made to (i) members of your selection committee or (ii) any other disqualified persons, within the meaning of section 4946 of the Code; and
- Grants will not be made to (i) individuals whose names appear on the list of "Specially Designated Nationals" issued by the U.S. Department of the Treasury's Office of Foreign Assets Control, (ii) individuals whose Affiliated Institution appears on the U.S. Department of State's "Terrorist Exclusion List," or (iii) individuals or Affiliated Institutions that directly or indirectly support terrorism.

Upon acceptance of an applicant, you will send a grant agreement to the grant recipient containing the terms and conditions of the grant. The recipient will be required to sign and return the grant agreement. Your grant agreement covers the following areas: 1) use of grants, 2) reporting requirements, 3) regulatory requirements, 4) scientific misconduct, 5) scientific meetings, events, and publications, 6) transfer or termination of a grant, 7) change in status, 8) post-grant reporting, and 9) Affiliated Institutional records.

Grants will be earmarked for the use of the specific scientific researcher who applied and received the grant, but you will distribute the funds directly to the nonprofit institution where the grantee is employed (an "Affiliated Institution"). The Affiliated Institution will disburse the funds for the recipients use. Recipients will be required to submit the following at least annually:

- A narrative report detailing the progress made toward achieving the purpose of the grant,
- A financial report detailing the use of funds

Upon completion of the project, recipients will be required to submit final narrative and financial reports that detail their accomplishments and accounts for the funds received.

Your selection committee will review all reports and evaluate whether the purpose, terms, and conditions of each grant have been fulfilled. Funding of multi-year grants will be contingent upon the timely submission of reports as well as a satisfactory assessment by the committee of the recipient's progress. Your committee will initiate an investigation if any of the reports, including failure to submit reports, indicates that all or any part of the grant was not used in furtherance of the grant purposes. During investigation, you will withhold further payments to the extent possible until the recipient submits any delinquent

reports. Additionally, you will comply with the procedures described in Treasury Regulations Sections 53.4945-4(c)(4)(ii)-(iv). You may also demand repayment of all unexpected portions and cancel unpaid installments of grants if any of the following events occur:

- The Internal Revenue Service or a foreign tax authority makes a determination, preliminary or otherwise, that the grant does not constitute a qualifying distribution;
- The Affiliated Institution fails to perform any of its duties, in the judgment of your review committee, required by the terms of the grant; or
- The Affiliated Institution ceases to be exempt from income taxes under the Code, or an equivalent foreign law, or becomes a private foundation.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
 - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.

- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You may report any significant changes to your program by completing Form 8940 and sending it to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations